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Mexico in the China-United States Geoeconomic Triangle: USMCA, Industrial Policy and Productive Security Regionalism

México en el triángulo geoeconómico China-Estados Unidos: TMEC, política industrial y regionalismo productivo de seguridad

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Abstract

This article examines the Mexico-China economic relationship in the context of U.S.-China geoeconomic rivalry, U.S. tariff policy and the 2026 review of the United States-Mexico-Canada Agreement (USMCA). The core argument is that Mexico faces a dual transition: on the one hand, an opportunity to benefit from supply-chain reconfiguration, nearshoring and North American demand for manufactured goods; on the other hand, the risk of becoming a channel for the triangulation of Chinese inputs under a regional regime increasingly organized around economic security, traceability and trusted origin. Drawing on a qualitative case study, 2021-2025 trade data and a state-of-the-art review of global value chains, industrial policy, geoeconomics, the developmental state, the Belt and Road Initiative and security regionalism, the article introduces the concept of productive security regionalism to explain the new phase of USMCA governance. The theoretical contribution is to connect the literature on weaponized interdependence and economic security with Latin American debates on autonomy, development and industrial policy. The article concludes that Mexico should neither replicate the Chinese model nor mechanically join the Belt and Road Initiative. Instead, it should build its own strategy of selective industrialization, logistics infrastructure, origin compliance, Asian diversification and state-business coordination.

Keywords: Mexico-China; USMCA; geoeconomics; global value chains; industrial policy; Belt and Road Initiative; security regionalism; nearshoring.

1. Introduction

The economic relationship between Mexico and China can no longer be understood as a merely bilateral issue. It has become a central component of the geoeconomic architecture of North America. For two decades, Mexico deepened its manufacturing integration with the United States, while China consolidated its role as a key supplier of industrial inputs, intermediate goods, machinery, electronics and consumer products for a growing share of Mexico's productive apparatus. The paradox is clear: Mexico is both an export platform to the United States and an economy increasingly dependent on Chinese imports.

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This dual condition becomes strategic at a moment when Washington is redefining trade not simply as economic exchange, but as an instrument of national security, technological control and supply-chain discipline. The empirical starting point is persistent asymmetry. Between 2021 and 2025, Mexican exports to China remained within a narrow band, while Mexican imports from China stayed above one hundred billion dollars annually. This generated a large and stable bilateral deficit. At the same time, direct U.S.-China trade contracted relative to its 2022 peak, increasing the political incentive in Washington to scrutinize the Mexican channel.

The issue is urgent because of the 2026 USMCA review. Available evidence suggests that the process is not limited to a technical assessment of the agreement. The agenda has shifted toward stricter rules of origin, supply-chain security, traceability, critical minerals, control over extra-regional content and coordination vis-a-vis economies considered non-market or strategic competitors. For Chinese firms operating in Mexico, the main risk is not necessarily a formal ban on Chinese investment, but a functional exclusion mechanism: persistent tariffs, origin audits, anti-circumvention investigations, sectoral restrictions and rising compliance costs that reduce the value of using Mexico as a light-processing platform for the U.S. market.

The research question is the following: how does U.S.-China rivalry reshape Mexico's room for maneuver vis-a-vis China within the USMCA, and what kind of development strategy should Mexico adopt to transform triangulation risk into an opportunity for productive upgrading? The article argues that Mexico must move beyond two simplistic positions. First, Mexico will not automatically benefit from partial U.S.-China decoupling unless it builds domestic capabilities. Second, Mexico cannot imitate the Chinese development model in mechanical terms. China offers important lessons in strategic planning, infrastructure, special economic zones, technological learning and state pragmatism, but those lessons can only be useful if adapted to Mexico's democratic, federal, North American and Latin American conditions.

The article proceeds as follows. Section 2 reviews the literature on global value chains, geoeconomics, industrial policy, China-Latin America relations and North American regionalism. Section 3 develops the theoretical framework. Section 4 explains the qualitative and abductive methodology, including the criteria used to construct the sectoral risk matrix. Section 5 presents the empirical trade evidence. Sections 6 to 10 analyze the USMCA review, critical sectors, China as a policy reference, the Pochteca Route and policy implications. Section 11 concludes and identifies the study's limitations.

2. State of the Art: From Productive Globalization to Security Regionalism

2.1 Global value chains, upgrading and resilience

Recent literature on global value chains (GVCs) has moved from a focus on efficiency, fragmentation and relative costs toward a concern with resilience, vulnerability, technological control and economic security. Classic work on GVC governance showed that a country's international insertion depends less on trade volumes than on the position it occupies within hierarchical production networks (Gereffi, 1994; Baldwin, 2016). The relevant question is not only what is exported, but who controls design, technology, intellectual property, branding, finance, logistics and compliance standards. Mexico's North American integration has been successful in terms of export volume, yet ambiguous in terms of value capture, domestic supplier development and technological learning.

The new literature on supply-chain resilience argues that the pandemic, the U.S.-China trade war, the war in Ukraine, Taiwan-related tensions and energy disruptions changed the meaning of efficiency (OECD, 2025; WTO, 2025). Producing in the cheapest location is no longer sufficient. Governments and corporations seek to reduce single points of failure, diversify suppliers, maintain strategic inventories, regionalize critical stages and protect sensitive inputs. However, resilience should not be confused with autarky. The policy challenge is to diversify intelligently rather than replace globalization with isolation.

From this perspective, supply-chain reconfiguration should not be measured only by the number of plants arriving in the country. The strategic indicator is the ability to transform foreign investment into domestic linkages, skilled jobs, certifications, laboratories, logistics services, applied research and Mexican supplier firms. The key question is whether Mexico will become a passive relocation site or an upgrading node. The first option reproduces dependence; the second requires industrial policy and territorial coordination.

2.2 Geoeconomics, weaponized interdependence and securitized trade

The second relevant body of literature is geoeconomics. Since Hirschman (1945), economic interdependence has also been understood as a relationship of power. Later work on complex interdependence, structural power and statecraft emphasized that markets and networks are never politically neutral (Keohane & Nye, 1977; Strange, 1988; Blackwill & Harris, 2016). More recently, concepts such as weaponized interdependence, sanctions statecraft and economic security have updated this tradition (Farrell & Newman, 2019). States that control critical nodes in financial, technological, logistical or commercial networks can turn connectivity into a mechanism of coercion.

Contemporary geoeconomics begins from the premise that states use economic instruments to achieve strategic objectives. Tariffs, subsidies, export controls, financial sanctions, entity lists, technology restrictions and rules of origin are part of the same repertoire. In a world of complex interdependence, power is not only about producing more; it is also about controlling network nodes. Actors controlling final markets, payment systems, technological standards or certification mechanisms can condition the behavior of firms and governments.

The USMCA sits precisely at this intersection. As the dominant final market, the United States can convert preferential access into origin and compliance discipline. Mexico retains negotiating leverage because it is an indispensable production partner, but that leverage is not unlimited. The review of the agreement shows that regional trust is becoming an economic asset. Consequently, Mexican trade policy must be read simultaneously as economic-security policy and development policy.

2.3 The new industrial policy: from protection to capability building

The third literature is industrial policy. Contemporary debates have moved beyond a simple opposition between state and market. The new economics of industrial policy argues that public intervention can address coordination failures, learning externalities, information failures, financing constraints and innovation bottlenecks (Juhasz, Lane, & Rodrik, 2024; Rodrik, 2004). Yet it also recognizes risks of capture, corruption and inefficient sectoral selection. For Mexico, this literature is crucial: nearshoring will not become development unless the state builds capabilities to select missions, finance technology, develop suppliers, improve logistics and demand performance.

Contemporary industrial policy should not be confused with indiscriminate import substitution or permanent protection for inefficient sectors. Recent scholarship emphasizes temporary instruments, verifiable targets, evaluation, reciprocity and learning (Chang, 2002; Evans, 1995; Mazzucato, 2013, 2021; Rodrik, 2014). The state may support sectors, but it must demand performance. It may provide finance, but such finance should be connected to productivity, innovation, exports or supplier integration. It may protect temporarily, but protection should not become rent.

This debate is particularly relevant for Latin America. The region's structuralist tradition warned that peripheral economies could participate in trade while reproducing technological dependency and low value capture (Prebisch, 1950; Fajnzylber, 1990). East Asian developmental-state literature offers a complementary lesson: successful late industrialization required embedded bureaucracies, export discipline, learning coalitions and coordination between public and private actors (Amsden, 1989; Wade, 1990; Evans, 1995). Mexico's challenge is to translate these lessons into institutions compatible with its fiscal, federal and treaty constraints.

2.4 China, Latin America and the autonomy debate

The fourth literature concerns the Chinese model, the Belt and Road Initiative (BRI) and Latin American autonomy. China combines strategic planning, local experimentalism, state control over key financial instruments, export promotion, special economic zones, massive infrastructure investment and a pragmatic relationship between market and state. The BRI extends this logic outward through infrastructure, connectivity, finance, trade, technology and diplomacy. In Latin America, Chinese engagement has shifted from commodities and finance toward manufacturing, electric vehicles, telecommunications, energy, ports, digital platforms and new infrastructure (Boston University Global Development Policy Center, 2025; Dussel Peters, 2025a, 2025b). This creates opportunities but also risks of dependency.

The China-Latin America relationship reveals a persistent tension between diversification and dependence. For many countries in the region, China represents an alternative to the historical centrality of the United States and Europe. At the same time, trade patterns often reproduce a division between Latin American exports of natural resources and imports of Chinese manufactures. The result is ambivalent autonomy: more diplomatic options but also new financial, technological and commercial dependencies.

This point links the classical Latin American autonomy tradition with the concept of conditioned strategic autonomy proposed in this article. Prebisch (1950) emphasized the structural constraints imposed by unequal exchange and technological asymmetry, while Cardoso and Faletto (1979) showed that dependency is mediated by domestic coalitions and forms of insertion into the world economy. For Mexico, autonomy cannot be defined simply as distance from the United States or rhetorical proximity to China. It must be understood as the capacity to reduce concrete vulnerabilities, increase domestic productive density and negotiate from a position of regional indispensability.

Mexico differs from the South American pattern because its main advantage lies not in commodity exports to China but in its manufacturing position within North America. This creates a distinctive margin: Mexico can engage China not only as a raw-material supplier but as a potential recipient of investment, technology, capital goods and infrastructure. Yet that relationship is mediated by the USMCA. Mexico cannot ignore U.S. sensitivities, but it should not abandon its own Asia strategy.

2.5 North American regionalism and strategic competition

The fifth literature concerns North American regionalism. The USMCA is not merely a trade agreement; it is a platform for productive, labor, digital, environmental and regulatory integration. Its 2026 review adds a strategic-competition dimension (CSIS, 2025; Office of the United States Trade Representative [USTR], 2026a, 2026b). North American regionalism is becoming a space where not only tariffs but also the boundaries of economic security are negotiated. As a result, the Mexico-China relationship is filtered through the question of how Chinese participation affects U.S. trust in regional supply chains.

This evolution does not eliminate efficiency, but it partially subordinates it to resilience and control. North America wants to compete with Asia without depending excessively on Asia. That contradiction defines Mexico's dilemma: it needs Asian inputs to remain competitive, but it must prove that its export platform contributes regional value. The difference depends on the depth of productive transformation carried out in Mexico.

North American regionalism has moved through three stages. The first, under NAFTA, focused on liberalization, market access and regional production chains. The second, with the USMCA, introduced a more regulatory dimension: labor rules, digital trade, environment, state-owned enterprises and stricter automotive rules of origin. The third, linked to the 2026 review, adds an economic-security component vis-a-vis China. The region is no longer asking only how to integrate, but under what trust criteria and with what limits on external inputs.

3. Theoretical Framework: Productive Security Regionalism and Conditioned Strategic Autonomy

The theoretical framework is built around four concepts: productive security regionalism, trusted origin, derivative dependence and conditioned strategic autonomy. These concepts help explain why the USMCA review now exceeds the traditional logic of free trade.

Productive security regionalism refers to a form of regional integration in which trade preferences are increasingly conditioned by economic security, traceability, origin, technological control and the geopolitical trustworthiness of suppliers. In liberal regionalism, the central objective was to reduce barriers among partners. In productive security regionalism, the additional objective is to ensure that the benefits of the agreement accrue primarily to internal or trusted actors and that regional production does not depend excessively on strategic external competitors.

Trusted origin expands the legal notion of rules of origin. Traditionally, rules of origin determine whether a good qualifies for preferential treatment. In the new political economy of trade, origin is also an indicator of strategic trust. A product may formally comply with transformation requirements and still be questioned if its critical components, software, metals, batteries, semiconductors or strategic inputs depend on a rival country. Compliance therefore requires supplier traceability, regional content documentation, audits, digital systems, due diligence and proof of substantive transformation.

Derivative dependence describes a situation in which a country integrated into a regional bloc depends on inputs from an external power to sustain its export capacity to that bloc. Mexico does not depend on China as its main export market, but it increasingly depends on China as a supplier of inputs, machinery, electronics and intermediate goods. This dependence is derivative because it affects Mexico's relationship with

the United States. The vulnerability lies not only in buying more from China than Mexico sells to China, but in the possibility that Chinese inputs may condition the regional legitimacy of Mexican exports to the United States.

Conditioned strategic autonomy refers to the room for maneuver of an intermediate economy seeking to diversify partners, attract investment and develop domestic capabilities while operating under constraints imposed by its main market, treaties, fiscal capacity, productive structure and geography. Mexico is neither a great power nor a small dependent economy. Its advantage is proximity to the U.S. market and an extensive treaty network; its constraint is that proximity entails discipline. Mexico's strategy cannot be to choose between the United States and China. It must manage its relationship with China in a way compatible with North American integration while increasing domestic and regional value content.

Table 1.

Core concepts of the theoretical framework

Concept	Definition	Use in the article
Productive security regionalism	Regional integration that conditions trade benefits on origin, traceability, regional content and strategic trust.	Explains USMCA's transformation beyond free trade.
Trusted origin	Rules of origin expanded by economic-security criteria and auditability of critical components.	Shows why traceability becomes a competitive advantage.
Derivative dependence	Dependence on inputs from an external power that affects relations with the main regional market.	Captures Mexico's vulnerability to Chinese inputs in U.S.-bound exports.
Conditioned strategic autonomy	Room for maneuver of an intermediate economy constrained by markets, treaties and domestic capabilities.	Avoids the false choice between automatic alignment and rhetorical neutrality.

Source: author elaboration.

3.1 Proposed analytical model

The hypothesis is not that every Chinese input is problematic. Mexico cannot and should not dispense with Asia. The hypothesis is more precise: Chinese inputs become politically sensitive when they are located in strategic sectors, when substantive transformation in Mexico is weak, when origin is not documented by layers, or when the operation appears designed to circumvent U.S. tariffs or restrictions. The relevant criterion is not Chinese versus non-Chinese origin in the abstract, but sensitivity, transformation, traceability and contribution to Mexican development.

The analytical model can be represented as a triangular relationship among three variables: dependence on Chinese inputs, U.S. regional discipline and Mexican industrial capability. When dependence on Chinese inputs is high and Mexican industrial capability is low, U.S. discipline tends to translate into costs, audits and exclusion risk. When Chinese-input dependence is combined with strong Mexican capacity for transformation, certification and regional content, the relationship can be managed. When Mexico reduces critical vulnerabilities through local or regional suppliers, external pressure can become an upgrading incentive.

3.2 Compliance as productive capability

A theoretical contribution of the article is to treat compliance as a productive capability. In the traditional view, customs compliance, origin certificates and tariff classification are administrative tasks. In the new geoeconomic phase, these functions become strategic assets. A firm able to map suppliers, audit components, document regional value, anticipate investigations and respond to information requests can preserve market access. A firm without such capabilities can lose preferences even if it physically produces in Mexico.

At the national level, this means that customs agencies, promotion agencies, laboratories, business chambers, state governments and universities must be part of industrial policy. Compliance is not solved firm by firm; it requires ecosystems of information, standards, training and specialized services. If Mexico develops this infrastructure, it can differentiate itself from low-cost platforms and present itself as a trusted-origin platform.

3.3 Functional autonomy

From this perspective, the relationship with China should be assessed by its effects on Mexican capabilities. A Chinese investment that introduces technology, develops suppliers, creates skilled jobs and diversifies exports can expand autonomy. An investment that merely assembles imported inputs to exploit USMCA preferences can reduce it, because it increases exposure to investigations and loss of regional trust. Autonomy depends less on the origin of capital than on the learning structure it generates.

Latin American debates often associate autonomy with distance from the United States. In Mexico's case, that definition is insufficient. Mexican autonomy cannot rest on denying its structural integration with North America. Functional autonomy means using that integration to develop domestic capabilities, diversify markets, increase national content and negotiate better conditions. The issue is not declarative independence, but the reduction of concrete vulnerabilities.

3.4 Propositions derived from the theoretical framework

Proposition 1: the USMCA review will tend to harden in sectors where dependence on Chinese inputs, U.S. technological sensitivity and high Mexican export value converge. This explains why autos, batteries, electronics, steel, aluminum and critical minerals occupy a different position from less strategic consumer goods. The criterion is not trade value alone, but the combination of economic value and strategic meaning.

Proposition 2: nearshoring will produce development only if it becomes a process of productive densification. A new plant can increase exports without increasing domestic capabilities. Development requires suppliers, technological learning, certifications, skilled employment, regional linkages and engineering capabilities. Public policy should measure these outcomes, not only investment announcements.

Proposition 3: Mexico's China policy should distinguish among four functions: China as supplier, China as market, China as investor and China as policy reference. Each function requires different instruments. Buying Chinese inputs may be necessary; exporting more to China requires promotion; attracting Chinese investment requires content and transfer criteria; learning from China requires institutional adaptation rather than imitation.

Proposition 4: Mexican autonomy increases when the relationship with China reduces domestic vulnerabilities and decreases when it deepens them. This allows concrete projects to be evaluated. An investment that helps produce components previously imported may strengthen autonomy; an operation that relies almost entirely on imported inputs to access the U.S. market may weaken it.

Proposition 5: regional compliance should not be viewed merely as a concession to the United States, but as a source of Mexican competitiveness. If Mexico develops superior traceability, certification and auditing capabilities, it can attract investment seeking legal certainty and reliable access to North America. Compliance thus becomes both a productive and diplomatic asset.

4. Methodology

The article uses a qualitative case-study design supported by descriptive trade evidence and a sectoral risk matrix. The Mexico-China-USMCA case is analytically useful because it concentrates three contemporary processes: U.S.-China rivalry, global value-chain reconfiguration and Mexico's search for a more active industrial policy. The case was selected because Mexico is simultaneously a large U.S.-bound manufacturing exporter, a major importer of Chinese manufactured inputs and a party to a regional agreement whose review is increasingly linked to economic-security concerns. This combination makes Mexico a critical case for analyzing how geoeconomic rivalry is translated into rules of origin, traceability demands and industrial-policy choices.

The methodological strategy combines four sources of information: 2021-2025 goods-trade data for Mexico-China and U.S.-China; policy documents and negotiation signals related to the USMCA review; academic literature on geoeconomics, GVCs and industrial policy; and sectoral analysis of the most exposed areas. The trade tables are descriptive rather than causal: they identify asymmetries, trends and political incentives. The sectoral matrix is not intended to provide product-specific legal advice; it is an analytical instrument to identify where trade dependence, strategic sensitivity and regional export exposure converge.

The sectors included in the matrix were selected through three criteria. First, they show significant or rising links with Chinese inputs, components, capital goods or intermediate manufactures, based on the composition of Mexico-China trade reported by Data Mexico and related trade-intelligence sources. Second, they are politically or technologically sensitive in the U.S. economic-security agenda, especially where tariffs, rules of origin, Section 232 measures, anti-circumvention procedures, critical minerals, batteries, digital infrastructure or strategic manufacturing are relevant. Third, they are important to Mexico's U.S.-bound manufacturing platform or to future industrial upgrading under nearshoring. The selected sectors - autos and auto parts, batteries and electric vehicles, electronics and telecommunications, steel and aluminum, plastics, textiles and consumer goods - therefore represent areas where China-related input intensity, U.S. scrutiny and Mexican export relevance overlap.

The construction of the risk matrix followed a qualitative coding procedure. For each sector, the analysis identified: (1) the main USMCA or U.S. policy risk; (2) the relevant China link, such as components, machinery, batteries, metals, circuits, telecommunications equipment or low-cost manufactures; and (3) the corresponding Mexican policy response. The China-link column is based on observable trade composition, the presence of Chinese firms or inputs in the sector and policy debates on strategic dependence. The risk column is based on U.S. tariff policy, USMCA rules-of-origin debates, critical-minerals discussions, strategic-

manufacturing priorities and the likelihood of origin or anti-circumvention scrutiny. The response column translates these risks into policy instruments: supplier development, origin documentation, certification laboratories, customs monitoring, logistics upgrading and selective investment promotion.

The approach is abductive. Abduction is appropriate when the purpose is not to test a pre-existing hypothesis through econometric identification, but to interpret a puzzling empirical configuration and generate a theoretical explanation through iterative movement between evidence and concepts (Dubois & Gadde, 2002; Timmermans & Tavory, 2012). In this article, the puzzle is that Mexico can benefit from U.S.-China decoupling while also becoming more vulnerable to scrutiny precisely because it imports more from China. The concepts of productive security regionalism, trusted origin, derivative dependence and conditioned strategic autonomy were developed through this iterative process: descriptive trade evidence suggested the problem, the literature provided interpretive tools, and the USMCA review context specified the mechanism.

The goal is not econometric causal identification. Rather, the purpose is to construct a theoretically grounded and empirically informed explanation of how the Mexico-China relationship is reinterpreted when placed within the economic-security architecture of North America. The findings should be read as analytical propositions and policy-oriented hypotheses that can guide subsequent product-level, firm-level and econometric research.

5. Empirical Evidence: Mexico-China Asymmetry and U.S.-China Contraction

The data show that the Mexico-China relationship is commercially intense but structurally asymmetric. Between 2021 and 2025, Mexican imports from China increased from roughly 101 billion dollars to more than 133 billion. Over the same period, Mexican exports to China remained between 8.8 and 10.8 billion dollars. The bilateral deficit exceeded 90 billion dollars in 2021 and surpassed 120 billion in 2024 and 2025. This asymmetry is not merely an accounting problem; it reveals Mexico's position as a buyer of Chinese manufactures, components and intermediate goods, while its export basket to China remains narrow (Data Mexico, 2025; Dallas Fed, 2025).

Composition also matters. Mexican exports to China are concentrated in products such as minerals, copper and selected agro-industrial goods, whereas Chinese exports to Mexico include phones, telecommunications equipment, integrated circuits, machinery, electrical equipment, vehicles, auto parts, plastics, textiles and consumer goods. The relationship reproduces an inverse manufacturing dependence: Mexico is a manufacturing power vis-a-vis the United States, but vis-a-vis China it appears as an importer of higher-technology manufactured inputs.

By contrast, U.S.-China trade has contracted markedly since 2022. U.S. imports from China fell from more than 536 billion dollars in 2022 to around 308 billion in 2025, while U.S. exports to China also declined. This is not full decoupling, but it is a more politicized interdependence. For Mexico, the implication is central: if direct trade between the two powers falls while Mexico's imports from China increase, part of the tension will shift toward third countries integrated into U.S. supply chains.

Table 2.

China-Mexico macroeconomic comparison, 2024

Indicator	China	Mexico	Analytical implication
GDP current 2024	US$18.74 trillion	US$1.86 trillion	Scale asymmetry: Mexico cannot imitate China but can learn from strategic coordination.
GDP per capita 2024	US$13,303	US$14,186	Mexico has comparable per-capita income but weaker systemic technological depth.
GDP growth 2024	5.0%	1.4%	China retains higher dynamism; Mexico needs productivity and investment.
Trade insertion	Global exporter and industrial supplier	North American manufacturing platform	Potential complementarity is conditioned by USMCA discipline.

Source: author elaboration based on World Bank (2025).

Table 3.

Mexico-China goods trade, 2021-2025 (US$ billion)

Year	Mexico exports to China	Mexico imports from China	Trade balance
2021	9.08	101.02	-91.94
2022	10.80	118.69	-107.89
2023	9.21	114.19	-104.98
2024	8.84	129.14	-120.30
2025	10.21	133.27	-123.06

Source: author elaboration based on Data Mexico (2025).

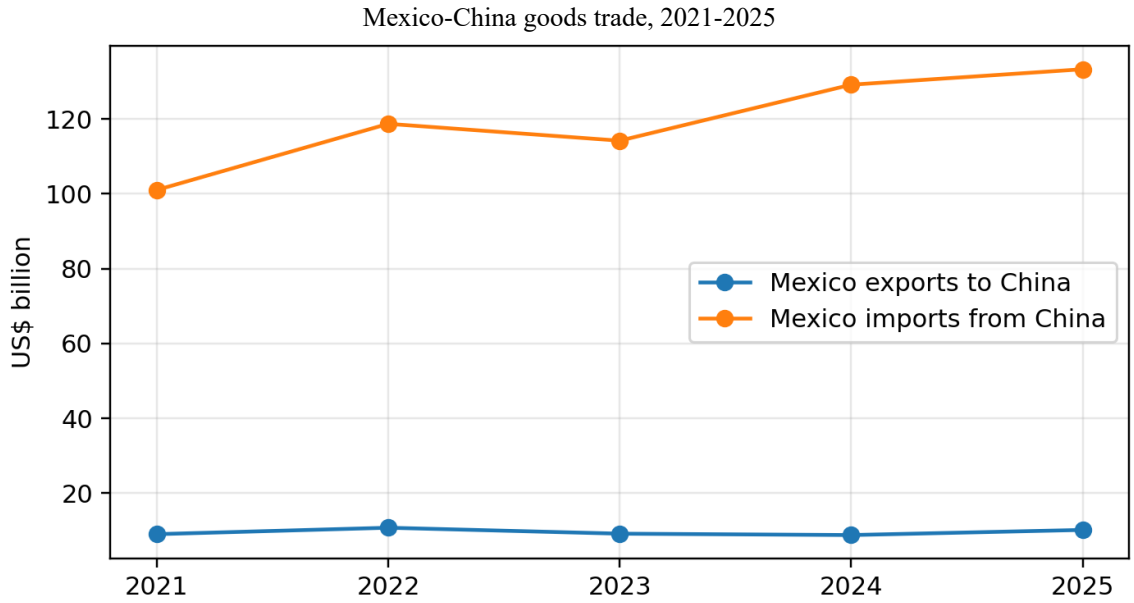
Table 4.

U.S.-China goods trade, 2021-2025 (US$ billion)

Year	Mexico exports to China	Mexico imports from China	Trade balance
2021	9.08	101.02	-91.94
2022	10.80	118.69	-107.89
2023	9.21	114.19	-104.98
2024	8.84	129.14	-120.30
2025	10.21	133.27	-123.06

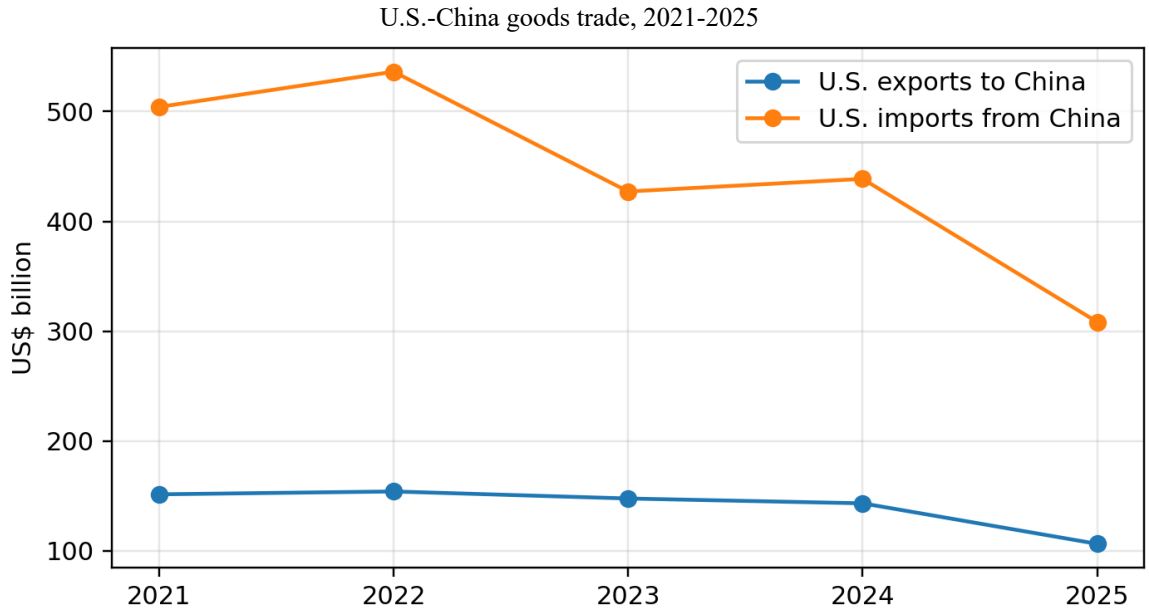
Source: author elaboration based on U.S. Census Bureau (2026).

Figure 1.



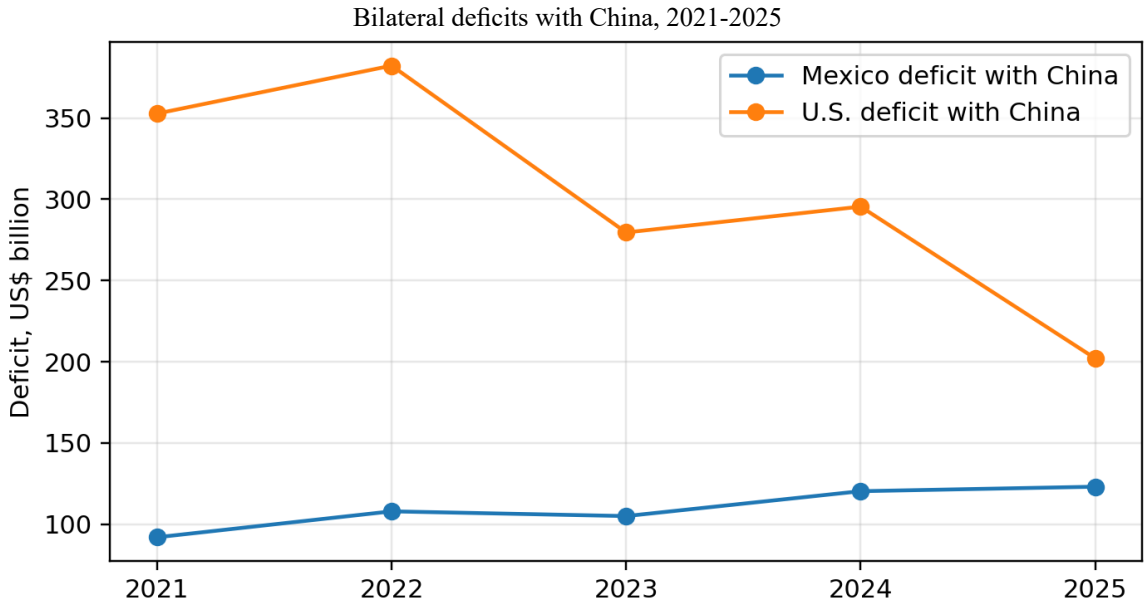
Source: author elaboration based on Data Mexico (2025).

Figure 2.



Source: author elaboration based on U.S. Census Bureau (2026).

Figure 3.



Source: author elaboration based on Data Mexico (2025) and U.S. Census Bureau (2026).

6. USMCA 2026: From Trade Agreement to Regional Compliance Code

The 2026 review is a critical juncture because the USMCA review clause can either extend the agreement's certainty or open a cycle of recurring renegotiation. The traditional Mexican interpretation emphasized preserving preferential access and legal stability. The current context introduces a different vocabulary: reducing dependence on extra-regional imports, strengthening rules of origin, securing supply chains, coordinating critical minerals and preventing external actors from capturing the agreement's benefits.

U.S. discourse suggests that national-security tariffs and rules of origin are not separate instruments but components of the same architecture. Tariffs on autos, steel, aluminum or strategic components operate as direct pressure; rules of origin operate as structural filters; traceability functions as verification; and critical-minerals policy links trade to technology and energy security. Together, these tools redefine the meaning of regional integration.

For Chinese firms, the most vulnerable model is a Mexico-based investment designed mainly to export to the United States with limited transformation and high Chinese content. The issue is not nationality alone, but the value structure of the chain. A plant with Mexican employment, North American suppliers, technology transfer and traceability can better defend its regional legitimacy. An operation based on imported kits, minimal assembly and rapid export to the United States faces higher audit and investigation risks.

For Mexico, hardening can be either a threat or an opportunity. It is a threat if it raises costs and deters investment. It is an opportunity if it forces domestic supplier development, regional content, customs digitalization, certification laboratories, infrastructure investment and a stronger negotiating position based on compliance. In the new phase, the ability to prove origin and transformation may be as important as the ability to produce.

7. Critical Sectors and Risk Matrix

Sectoral exposure is concentrated in areas where economic importance, strategic sensitivity and Chinese input intensity converge. The automotive sector is the most visible case. Mexico is a major exporter of vehicles to the United States, but the transition toward electric vehicles increases dependence on batteries, electronics, software, sensors and critical minerals. If these components come from China in high proportions, regional content discussions become more demanding.

Electronics and telecommunications are another central area. Data-processing equipment, phones, integrated circuits, cables, electrical components and communications modules are essential for advanced manufacturing. They are also associated with technological security. Chinese inputs will not be problematic in every case, but in products connected to digital infrastructure, data, artificial intelligence or critical systems, scrutiny thresholds will rise.

Metals and critical minerals occupy a transversal position. Steel, aluminum, copper, graphite, lithium, rare earths and other inputs are not merely commodities; they underpin automotive, energy, military and digital chains. U.S. policy increasingly treats them as strategic assets. Mexico has mineral capabilities and a privileged location, but it needs a value-added strategy to avoid remaining a simple extractor or importer of processed inputs.

Table 5.

Mexico-China-USMCA sectoral risk matrix

Sector	Main risk	China link	Suggested Mexican response
Autos and auto parts	Stricter rules of origin and persistent tariffs	Components, electronics, batteries, software and machinery	Increase regional content, Tier 2/3 suppliers and origin documentation.
Batteries and EVs	Critical minerals, subsidies and technological sensitivity	Chinese dominance in batteries and materials segments	Minerals strategy, recycling, North American and trusted Asian partnerships.
Electronics and telecoms	Traceability and technological security	Phones, circuits, data and communications equipment	Certification labs, cybersecurity and local suppliers.
Steel and aluminum	Section 232, antidumping and circumvention	Imports and metal derivatives of Chinese origin	Selective substitution, standards and customs monitoring.
Plastics, textiles and consumer goods	Sectoral protection and political pressure	Low prices, e-commerce and industrial competition	Productivity, formalization and shift to higher-value niches.

Source: author elaboration. Sector selection follows the criteria described in Section 4: Chinese input intensity, U.S. strategic sensitivity and relevance to Mexico's U.S.-bound manufacturing platform.

8. China as a Model: Lessons, Limits and Mexican Adaptation

The question of whether China can serve as a model for Mexico requires conceptual precision. China does not offer a replicable institutional package. Its trajectory rests on a centralized political system, credit control, specific bureaucratic capabilities, territorial discipline, demographic scale, strategic state-owned enterprises and a distinctive relationship between party-state and market. Mexico operates under a federal democracy, high

dependence on the U.S. market, fiscal constraints, political pluralism, international treaties and a fragmented state apparatus.

Yet China's experience offers adaptable lessons. The first is long-term planning. Chinese five-year plans are not merely declarative; they connect priorities, financing, infrastructure, technology and evaluation. Mexico needs an industrial-policy horizon that transcends presidential terms, with verifiable goals for domestic content, technical training, logistics infrastructure, customs digitalization, energy transition, innovation and exports.

The second lesson is infrastructure. China turned ports, railways, highways, energy, logistics and telecommunications into the material base of development. Mexico cannot take advantage of geography if ports are congested, customs procedures are slow, rail corridors are insufficient and energy supply is uncertain. An Asia-Pacific strategy requires modern Pacific ports, integration with the Interoceanic Corridor, industrial parks, world-class logistics and digital foreign-trade platforms.

The third lesson is experimentalism. China advanced through special economic zones and territorial pilots that allowed learning before scaling. Mexico could adapt this logic through productive corridors, innovation zones, industrial parks with integrated services, certification laboratories and supplier platforms. The aim should not be disconnected enclaves, but territorial instruments linked to universities, public research centers, anchor firms and state governments.

The fourth lesson is pragmatism. China combined openness, protection, foreign investment, technological learning and export discipline. Mexico should avoid both passive free trade and improvised protectionism. The appropriate strategy is learning-oriented openness: attract investment but demand capability transfer; import inputs when necessary but selectively substitute strategic ones; integrate with North America while diversifying ties with Asia, Europe and Latin America.

This is where the idea of a Pochteca Route becomes useful. It is not a Mexican version of the Belt and Road Initiative nor an indirect adhesion to a Chinese project. It is a strategic metaphor to connect ports, corridors, productive zones, Latin American trade and Asia-Pacific projection from a sovereign Mexican perspective. Its value lies in positioning Mexico as a builder of bridges rather than a passive recipient of external strategies.

9. Discussion: Mexico Between Dependence, Discipline and Opportunity

The central point is that Mexico faces a conditioned opportunity. U.S.-China rivalry can attract investment, relocate production and increase demand for Mexican manufacturing. But it can also reduce Mexico's room for maneuver if the country cannot demonstrate trusted origin, regional content and compliance capabilities. Geographic advantage is no longer sufficient. Proximity must be complemented by strategic reliability.

Dependence on the United States remains Mexico's main structural feature. Any strategy toward China must therefore be carefully calibrated. An uncritical embrace of China could increase tensions within the USMCA; complete subordination to Washington could limit Mexican autonomy and close diversification opportunities. The answer is not rhetorical equidistance, but strategic selectivity: cooperate with China in areas that strengthen Mexican capabilities and reduce vulnerabilities, while avoiding schemes that turn Mexico into a platform for risky circumvention.

Mexican industrial policy should distinguish between import dependence and strategic vulnerability. Not every deficit is negative and not every form of import substitution is desirable. Mexico needs technology,

machinery and inputs to produce. The problem appears when imports replace capability building or create geopolitical vulnerability in critical sectors. Substitution should therefore be selective, evidence-based and productivity-oriented.

9.1 The Mexican institutional problem

The most important obstacle to turning the current conjuncture into development is not only external. Mexico faces internal institutional constraints: weak coordination among agencies, unequal capabilities across states, insufficient productive finance, low investment in research and development, logistics infrastructure gaps, energy uncertainty and still-limited links among universities, public research centers and firms. Without addressing these bottlenecks, geopolitical pressure may generate costs rather than transformation.

The Asian experience shows that industrial policy requires bureaucracies capable of engaging firms without being captured by them. In Mexico, the challenge is to build technical capabilities, not merely political will. The country needs sectoral intelligence units, project pipelines, evaluation mechanisms, domestic-content indicators, supplier windows, financial instruments and coordination with state governments. Institutional capacity is as important as strategic discourse.

9.2 The Pochteca Route as a strategy of insertion

The Pochteca Route can be conceived as a Mexican strategy of commercial, logistical and productive connectivity built around three axes. The first is the Asia-Pacific: improving Mexico's ability to import technology, attract investment and export higher-value products to Asian markets. The second is North America: ensuring that Asian connectivity does not erode the USMCA but complements it through regional content and compliance. The third is Latin America: using the Mexican platform to articulate regional chains, export services, share capabilities and build a Latin American agenda toward Asia.

This proposal requires concrete instruments: strategic supplier maps, identification of vulnerable tariff lines, trade-intelligence platforms, agreements with ports and state governments, origin certification, selective investment promotion and an economic diplomacy capable of engaging both Washington and Beijing. Its purpose is not to place Mexico in a gray zone of triangulation, but to give the country its own strategy for navigating great-power rivalry.

9.3 Comparative lessons beyond China

A stronger Mexican strategy should also look beyond China. Japan and South Korea provide lessons in disciplined industrial upgrading, technology absorption and export strategy; Vietnam offers lessons on attracting foreign investment while gradually building manufacturing depth; and several European economies show how supplier ecosystems, vocational training and regional innovation systems can support competitiveness. The lesson is not that Mexico should copy any single model, but that successful upgrading combines external openness with domestic institutional density.

This comparative perspective is important because the debate tends to polarize between China and the United States. Mexico needs a broader portfolio. Japanese and Korean firms can contribute to advanced

manufacturing and supplier discipline; European firms can help with standards, sustainability and high-value services; Latin American partners can expand regional demand and diversify political risk. A multipolar strategy is more credible when it rests on domestic capabilities rather than rhetorical diversification.

10. Policy Implications

First, Mexico should build a national system of productive traceability. This requires digital origin certificates, mapping of Tier 1, Tier 2 and Tier 3 suppliers, integrated customs information, audit capabilities and support for small and medium-sized firms. Traceability should be treated not as red tape but as market-access infrastructure.

Second, Mexico needs a supplier-development policy for critical sectors. Electric vehicles, batteries, mature semiconductors, electronic components, medical devices, machinery, specialized steel, aluminum, technical plastics and critical minerals require targeted programs for finance, training and certification. Policy should connect anchor firms with SMEs, universities and technology centers.

Third, Mexico must modernize its Pacific logistics infrastructure. Its relationship with Asia cannot depend on congested ports and slow customs procedures. Pacific ports, railways, the Interoceanic Corridor and industrial zones should be integrated into an Asia-North America trade strategy.

Fourth, the relationship with China should be selective and negotiated from Mexican objectives. Chinese investment in advanced manufacturing may be useful if it creates skilled employment, local suppliers and technology transfer. Investments aimed at superficial assembly to circumvent tariffs can be counterproductive.

Fifth, Mexican diplomacy should operate simultaneously in Washington, Beijing, Brussels, Tokyo, Seoul and Latin America. Diversification does not mean replacing one dependency with another. It means expanding options while strengthening internal capabilities.

Table 6.

Policy agenda for Mexico

Policy area	Objective	Instruments
Productive traceability	Prove origin and substantive transformation	Digital certificates, supplier audits, single window and customs data.
Domestic suppliers	Increase regional content without losing competitiveness	Credit, public procurement, training, technological extension.
Asia-Pacific infrastructure	Reduce bottlenecks and connect ports with industry	Ports, rail, Interoceanic Corridor, digital customs.
Selective relationship with China	Attract useful investment and avoid risky triangulation	Technology transfer, skilled jobs and local suppliers criteria.
Economic diplomacy	Defend room for maneuver and maintain USMCA trust	Negotiation with the U.S., dialogue with China and diversification with EU, Japan, Korea and LAC.

Source: author elaboration

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11. Conclusions

The Mexico-China relationship in the USMCA review era cannot be understood as conventional bilateral trade. It is a triangular phenomenon in which U.S.-China rivalry redefines incentives, risks and opportunities. Mexico increasingly imports from China, exports primarily to the United States and operates within a regional agreement moving toward economic security. This creates a fundamental tension: China is necessary for the competitiveness of many Mexican chains, but excessive dependence on Chinese inputs may reduce their strategic acceptability in the United States.

The article proposed the concept of productive security regionalism to explain this transformation. North American integration is no longer based only on openness and efficiency; it increasingly incorporates trusted origin, traceability, regional content and control over external actors. Compliance is becoming a productive variable. Firms and countries able to demonstrate origin, transformation and reliability will have advantages; those relying on superficial assembly will face rising risks.

Mexico has an opportunity, but not an automatic one. To seize it, the country needs industrial policy, infrastructure, suppliers, technology, financing, state-business coordination and economic diplomacy. China's lessons are useful if translated into planning, pragmatism and infrastructure; they are not useful if treated as an institutional model to copy. The Pochteca Route can serve as a strategic narrative for a Mexican insertion that is connected to Asia, integrated into North America, projected toward Latin America and rooted in domestic capabilities.

The study has limitations. Its trade evidence is descriptive and aggregated; it does not measure firm-level value added, product-specific rules of origin or the precise Chinese content embedded in every Mexican export line. The sectoral matrix is therefore an analytical approximation rather than a customs classification tool. Future research should combine firm-level data, input-output analysis, tariff-line mapping, interviews with firms and customs specialists, and comparative analysis with countries such as Vietnam, South Korea and Japan. These extensions would make it possible to evaluate more precisely when Asian inputs support Mexican upgrading and when they create vulnerabilities under productive security regionalism.

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